

**Report To: Cabinet**

**Date of Meeting: 13<sup>th</sup> January 2015**

**Lead Member / Officer: Councillor Julian Thompson-Hill /Paul McGrady**

**Report Author: Richard Weigh, Chief Accountant**

**Title: Finance Report**

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**1. What is the report about?**

The report gives details of the council's revenue budget and savings as agreed for 2014/15. The report also provides a summary update of the Housing Revenue Account and Housing Capital Plan.

**2. What is the reason for making this report?**

The purpose of the report is to provide an update on the council's current financial position.

**3. What are the Recommendations?**

Members note the budgets set for 2014/15 and progress against the agreed budget strategy.

**4. Report details**

The report provides a summary of the council's revenue budget for 2014/15 detailed in **(Appendix 1)**. The council's net revenue budget is £188m (£192m in 13/14). The position on service and corporate budgets is a forecast under spend of £309k (£327k under last month). Further narrative is outlined below. Savings of £7.1m were agreed as part of the budget and are detailed as **Appendix 2**. The appendix shows that 90% are classed as achieved with 10% in progress.

**5. How does the decision contribute to the Corporate Priorities?**

Effective management of the council's revenue and capital budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

**6. What will it cost and how will it affect other services?**

Relevant service narrative is shown in the following paragraphs.

**Communications, Marketing & Leisure** - the current forecast is to break-even, although presently the membership numbers at the leisure sites are



continuing to increase and if trend continues it is likely that the Department will show a cash under spend at the year end.

**School Improvement & Inclusion** – The service is currently projected to under spend by £240k (£226k last month) due to expenditure being lower than planned on Early Years placements for 3 year olds (approx. £50k less than budget) and vacancy savings, relating partly to a secondment to Welsh Government and partly due to the restructures within the service in response to the Freedoms and Flexibilities exercise. The movement this month relates to a further increase in vacancy savings relating to the early achievement of 2015/6 efficiency savings.

**Legal, HR & Democratic Services** – the under spend is as a result of a vacant post and external income from a successful prosecution.

**Finance & Assets** – is forecast to under spend by £40k due to the Strategic Property Investments Team costs being less than planned in the year and savings from vacancies in Finance. The under spend will be used to fund restructure costs as part of 2015/16 budget savings.

**Highways & Environment Services** – the service continues to face a number of pressures and risks in 2014/15. An over spend of £438k is currently projected although the service is continuing to try to identify actions to contain these pressures. Use of service reserves is likely to be considered as a funding option in the current year.

The over spend within the School Transport Service remains at £221k and is based on September pupil numbers and transport needs. There is a Task and Finish Group currently working towards identifying permanent solutions to this problem.

The reduction in income from parking that was seen during 2013/14 has continued along with a continued reduction in Penalty Charge Notice (PCN) income. Management action around the PCN income has now reduced the projected overspend to £200k.

As previously highlighted, there is a concern around the design fees income that the council attracts from North and Mid Wales Trunk Road Agency (NMWTRA). There is a projected an underachievement of income of £116k due to a continuing trend of the number of jobs received from NMWTRA reducing. The service is looking to reduce costs in order to limit the impact of this change however the fee income budget is £221k so reductions in expenditure can only partly rectify the problem.

**Adult & Business Services** - the current forecast for 2014/15 is for a non-recurring under spend of £43k (slightly lower than the £66k reported last month) due entirely to staffing costs that would normally be charged to the revenue budget being allocated against the one-off Intermediate Care Fund grant for 14/15.



Currently the Cefndy Healthcare and Manufacturing Unit is forecast to come in on budget but historically there has been an over spend at year end. Therefore caution needs to be taken with this assumption as there is an element of risk associated with the external sales market.

**Children & Family Services** – the current forecast is for a net under spend of £227k (slightly down from the £242k reported last month). The overall under spend is due to several of the agreed budget savings proposals for 15/16 having already been fully implemented this year together with a projected under spend on the specialist placements budget - although the latter has reduced this month which accounts for the small reduction in the overall under spend.

The Council agreed to set aside £250k in 2013/14 to fund adaptations to in-house foster carers' properties to potentially reduce the number of external placements required in future. The business case is nearing completion and it is pleasing to report that 5 foster carers have provisionally agreed to take part in the project. Property Services are currently working on the likely cost implications of carrying out the works

**Schools** - at the end of December the projection for school balances is £2.605m, which is a reduction of £1.287m on the balances brought forward from 2013/14 (£3.892m). The non-delegated budget is currently projected to under spend by £20k.

**Corporate** budgets are forecast to be under spent by £170k. It is assumed that any corporate under spends will contribute to the funding of the Corporate Plan. **Corporate Plan** cash reserves at the beginning of 2014/15 were £14.4m. Allowing for projected funding and expenditure during the year, the Corporate Plan balance at the end of the year is estimated to be £15.6m.

**Housing Revenue Account (HRA).** The latest revenue position assumes a reduction in balances at year end of £100k compared to a budgeted increase of £163k. HRA balances are forecast to be £1.2m at the end of the year. The Housing Capital Plan forecast expenditure is £5.0m.

**Treasury Management** - At the end of December, the council's borrowing totalled £148.546m at an average rate of 5.45%. Investment balances were £32.1m at an average rate of 0.60%

Expenditure on the council's **Capital Plan** was £17.3m against a Plan of £39.4m at the end of December. The Capital Plan includes an estimated £13.1m expenditure on the Corporate Plan. A summary of the Plan is included as **Appendix 3** and an update on the major projects is included as **Appendix 4**.

7. **What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?**



A summary EqlA was submitted to Council to support the savings in this year's budget.

**8. What consultations have been carried out with Scrutiny and others?**

Prior to approval by County Council, the savings were agreed with Heads of Service and Lead Members, presented to member budget workshops and circulated to staff. The proposals to balance the budget were discussed in detail at member workshops and members were given the opportunity to raise issues prior to the final report going to Council. The Corporate Governance Committee was provided with regular updates as it has an oversight role in respect of the budget process.

**9. Chief Finance Officer Statement**

It is important that services continue to manage budgets prudently and that any in-year surpluses are considered in the context of the medium-term financial position, particularly given the scale of budget reductions required over the coming two or three years.

**10. What risks are there and is there anything we can do to reduce them?**

This is the most challenging financial period the council has faced and failure to deliver the agreed budget strategy will put further pressure on services in the current and future financial years. Effective budget monitoring and control will help ensure that the financial strategy is achieved.

**11. Power to make the Decision**

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.